REMARKS:

    I.   **Status of the Claims**

    Claims 1-3 and 5-8 were previously pending in the application, and stand rejected by the outstanding Office Action under 35 U.S.C. §101, the rejections based on prior art having been withdrawn. By the present Amendment, claims 1 and 6 have been amended, claims 5 and 7-8 have been cancelled, and new claims 27-37 have been added. Independent claims 27 and 32, which were previously discussed during the telephonic interview with the Examiner on April 9, 2009, appear in the instant Amendment in a slightly different format. Also, due to an additional dependent claim being added, previously discussed independent claim 32 is independent claim 33 in the present Amendment.

    At least Paragraphs 0009, 0016, 0018, 0019, 0020, 0021, 0022, 0024, 0026, 0027, 0031, Original Claims 1, 4, and 9, and Figures 1-2 of the original application support these amendments. Applicant also submits herewith the Declaration of Ronald M. Davidow (the "Declaration"), who has had over 38 years of experience in the finance and insurance industries, in support of these amendments. Specifically, as one of ordinary skill in the art at the time of invention, Mr. Davidow declares that one of ordinary skill would have understood that the method disclosed in the original application may be implemented, either in whole or in part, by the computer and electronic elements described therein and that the claims are supported by the specification. No new matter has been added by virtue of the present amendments. Favorable reconsideration is respectfully requested in light of the foregoing Amendments, the Declaration, and following Remarks.

II.   Summary of Examiner Interview

Applicant thanks the Examiner for the courtesies extended during the telephonic interview conducted on April 9, 2009 (the "Interview") in which the Examiner and Applicant's representatives discussed proposed amendments to claim 1 and proposed new claims 27 and 32 (which is claim 33 herein) for compliance with the requirements of 35 U.S.C. §101.

As set forth in the Examiner's Interview Summary, proposed new claims 27 and 33 "seem to overcome [§101], assuming that the limitations in [claims 27 and 33] have support in the specification." Applicant respectfully submits that the specification contains such sufficient support and additionally provides the Declaration in further support thereof.

Applicant also respectfully submits that, while there was no agreement as to whether amended claim 1 overcame the §101 rejection, claim 1 is also patent-eligible under §101 as it recites a sufficient transformation.

III.   Rejections under 35 U.S.C. §101

Claims 1-3 and 5-8 stand rejected under 35 USC §101 as being directed to non-statutory subject matter. Claims 5 and 7-8 have been cancelled.

A.   Claim 1

Without conceding the appropriateness of the rejection, in the interest of expediting prosecution, by the present amendment, Applicant has amended independent claim 1 to recite:

> the lending institution **transforming the pool of loans from
> having the first rating or no rating to having the second rating**
> by transferring the loans to an entity that secures insurance for the

loans from the insurers, and transferring a risk of loss other than the first loss to the insurers, the entity **issuing a note based on the pool of loans and securing proceeds by issuing the note based on the pool of loans and the second rating**, the proceeds in an amount greater than that which the lending institution could secure due to the second rating being greater than the first rating or no rating;

As such, the claim now recites a method that transforms the pool of loans having a first rating or no rating to a pool of loans having a second rating and a note. Such claimed subject matter is patent-eligible because the claimed invention transforms data, specifically, a pool of loans having a first rating, into a pool of loans having a second rating. The loans are tangible articles, money changing hands; they are not merely legal obligations (although the loans and money do have associated legal obligations). Moreover, the claimed method includes the issuance of a particular note, namely one that is based on the pool of loans. Such a note is a particular, tangible article. In short, the method begins with an inadequately rated pool of loans and results in a rated note. As Paragraph 0031 recites:

Thus, what began as an unrated loan by an unrated lender 12 has become a rated note and a desirable investment instrument.

Therefore, this method meets the transformation prong of the "machine-or-transformation" test for patentability articulated by the Federal Circuit in *In re Bilski*. 545 F.3d 943 (Fed. Cir. 2008).

In this regard, the claimed pool of loans having a first rating being transformed into a pool of loans having a second rating is analogous to the patent-eligible example in *Bilski* of transforming X-ray data into a visual depiction of the subject being X-rayed. *Bilski*, 545 F.3d at 962-63. In the instant claim 1, the pool of loans has a first rating. Such rating implicates and is

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based on particular data, including information regarding tangible assets on which the pool of loans is based. In this regard, Paragraph 0009 states that a "a pool of loans underwritten by a lender" is representative of "a pool of assets." Whereas the *Bilski* example involved transformation of data representative of tangible bones being X-rayed, claim 1 involves transformation of data – the rating – representative of physical assets. Additionally, the data regarding the pool of loans having a first rating is transformed, *inter alia*, into a note based on the pool of loans, which is a particular physical object (not merely a visual depiction). Thus, the method as claimed in claim 1 meets the transformation prong of the "machine-or-transformation" test, and therefore, is patent-eligible under §101.

Support for the present amendment can be found in the application as filed. For example, Paragraph 0009 describes one embodiment of the claimed method:

> . . . [A] lender provides a financial guaranty in the form of reinsurance or other like protection to the insurance company as first loss protection and to insure the lender's loans. The reinsurance or other like protection enables a lender to obtain insurance from a rated insurance company. **As a result, the lender's loans derive the benefit of the insurance company's rating, and an unrated or inadequately rated lender may obtain a rated pool of assets that is attractive to investors in the capital markets.** The financial guaranty thus enables the lender to receive attractive funding through the private placement and capital markets (e.g., through the issuance of commercial paper). The financial guaranty enables the lender (i.e., the originator of the loan) to retain a first loss on a pool of assets such as, for example, a pool of loans underwritten by the lender.

Paragraph 0027 supports the transformation of loans into notes:

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> The bankruptcy-remote entity 32 may pledge or sell the loan to the trust 34 which may be a bank, trust company, or the like, and which holds the **loan assets on behalf of and issues notes to investors** 60 (discussed in more detail below), collects proceeds from investors 60 and passes them through to the lender 12 (via the bankruptcy remote entity 32), and obtains insurance on a note issued by the trust 34 to an asset-based commercial paper (ABCP) conduit 50, for example. The ABCP conduit 50 may be a bank or other financial institution that **issues commercial paper, notes or other debt instruments to investors** 60 (e.g., mutual funds).

Additionally, Paragraph 0031 further describes the transformation of the pool of loans to a note:

> Since the insurer 40 is rated, the notes it insures are also rated (i.e., the insurer's rating inures to the benefit of the notes it insures). Thus, **what began as an unrated loan by an unrated lender 12 has become a rated note** and a desirable investment instrument.

Thus, Applicant respectfully submits that independent claim 1, as well as claims 2-3, and 6, which depend therefrom, recite patentable subject matter and requests withdrawal of the rejection.

B.   New Claim 27

Claims 27-31 recite articles of manufacture, which constitute statutory subject matter under 35 U.S.C. §101. For example, the preamble of independent claim 27 recites:

> A computer memory product having computer readable program code embodied thereon, the computer readable program code adapted to be executed by one or more processors to implement a method of a lending institution funding a pool of loans with one or more insurers . . .

The patent-eligibility of such "Beauregard" claims have been repeatedly affirmed by the Board of Patent Appeals and Interferences (see, e.g., *Ex parte Mazzara*, Appeal 20084741, decided Feb.

5, 2009). Moreover, the Examiner has noted in the Interview Summary dated April 10, 2009,

that this claim meets the requirements of 35 U.S.C. §101. Applicant submits there is sufficient

support in the original application for claim 27, which, like claim 33, differs slightly from the

proposed claim discussed during the Interview.

Support for the present amendment can be found in the application as filed. For example,

Paragraphs 0016 and 0018 broadly provide for the inventive method disclosed in the application

to be to be implemented with a computer including a processor operable in connection with

software. Such computer is to be broadly construed and, as recited by Paragraph 0016, may

include:

> **a central processing unit (CPU or processor) operable in connection with software**, permanent memory (e.g., harddisk drive, ROM), temporary memory (e.g., RAM), an input device (e.g., keyboard, mouse, trackball, etc.), an output device (e.g., display), and I/O device (e.g., modem). It is known to persons skilled in the art that a computer may comprise some or all of those components, in addition to components not listed.

This is confirmed by Paragraphs 10-11 and 20 of the Declaration and further supported by

Paragraph 17 of the Declaration, which states:

> Reading the Application as a whole, I understand, and believe that such a person of ordinary skill in the field would have understood, that Paragraph 0016 and the computer implementation applies [i.e., at the time of invention] to the entire process described in the Application, hence the disclosure made in the Application may be implemented, in part or in whole, by electronic and computer elements.

Additionally, that the invention of claim 27 is suggested by the application is further

evidenced by the fact that Paragraph 0019 equates the lender with the lender's computer and the

borrower with the borrower's computer. Thus, what the original application discloses as being

carried out by the lender is to be understood as being performed via the lender computer.

Specifically, Paragraph 0019 recites:

> In any case, the information provided by the borrower 20 is communicated **from the borrower 20 (the borrower's computer 22)** to the lender's computer 120 over the network 100. Preferably, software provided on the lender's computer 120 confirms the veracity of the information received from the borrower 20 and obtains further information about borrower 20 from external databases 80 such as credit bureaus, judgment rolls of various courts and the like. **Lender 12 (i.e., lender's computer 120)** may compare the various information obtained about the borrower 20 with certain predetermined criteria.

Original Claim 9 of the application (which was previously cancelled), which is directed

to the claimed method being implemented with computer and software elements, provides even

further support for the invention as claimed in claim 27. MPEP 2163 Guidelines for the

Examination of Patent Applications under 35 U.S.C. –2100 Patentability ("It is now well

accepted that a satisfactory description may be in the claims or any other portion of the originally

filed specification."). Original Claim 9 recites:

> 9.   A method of cost effectively funding a loan, said method comprising the steps, by a lending institution, of:
>
> (a) providing a computer connectable to a network and having a processor operable in connection with software for:
>
> receiving information from a borrower for a loan request;
>
> determining a credit risk of the borrower from the information received;
>
> approving or rejecting the loan request based on the determined credit risk;

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Claim 27 recites similar acts performed via a programmed processor and is thus

supported by Original Claim 9. The following addresses each computer-implemented limitation

of claim 27.

> 1. **receiving data regarding requests of borrowers related to the pool of loans and storing the data in electronic memory;**

Claim 27 first recites:

> receiving data regarding requests of borrowers related to the pool of loans and storing the data in electronic memory;

Paragraphs 0019, 0020, and 0031 and Original Claim 9 of the application describe the lender

receiving information from a borrower, providing that:

> All of the above-described information, and other **information known to a person of skill in the art, may be communicated between the lender 12 and borrower 20 via computers** (each of the lender 12 and borrower 20 having a computer as depicted in FIG. 2) . . . . (Paragraph 0019).

> . . . the information provided by the borrower 20 is communicated **from the borrower 20 (the borrower's computer 22) to the lender's computer 120** over the network 100. (Paragraph 0019).

> **the lender's computer 120 preferably includes a processor and software operable in connection therewith for, by way of example and not limitation, receiving information from the borrower 20 for a loan request** . . . . (Paragraph 0020).

> . . . the database having **stored therein all pertinent information about borrowers and loans.** (Paragraph 0031).

> **receiving information from a borrower for a loan request;** (Original Claim 9).

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Paragraphs 12-14 and 20 of the Declaration confirm that one of ordinary skill in the finance and

insurance industries at the time of invention would read Paragraphs 0019 and 0020 to support

this limitation.

2. analyzing the data to determine risk . . .

Claim 27 further recites a programmed processor:

> analyzing the data to determine risk associated with the pool of
> loans having an aggregate amount of the pool of loans, the risk
> including a risk of a first loss and a risk of loss other than the risk
> of the first loss, the first loss being a percentage of the aggregate
> amount of the pool of loans, the lending institution assuming the
> risk of the first loss by providing a first loss financial guaranty to
> the insurers;

This limitation is supported by Paragraphs 0019, 0020, 0021, 0022 and 0031 and Original Claim

9. Paragraph 0019, for instance, states:

> Preferably, **software provided on the lender's computer** 120
> confirms the veracity of the information received from the
> borrower 20 and obtains further information about borrower 20
> from external databases 80 such as credit bureaus, judgment rolls
> of various courts and the like. Lender 12 (i.e., lender's computer
> 120) may **compare the various information obtained about the
> borrower 20 with certain predetermined criteria. That
> analysis provides an initial determination as to the amount of
> risk associated with the loan**. If the result of the analysis falls out
> of bounds of the predetermined criteria, then the risk may be too
> great and lender 12 will send a rejection response to borrower 20
> or may refer borrower 20 to another lender.

As explained, the analysis of borrower information is directly related to the risk

associated with the loan. Reference to a loan includes a pool of loans. Paragraph 0026 ("the

term 'loan' also referring to a pool of loans") and Original Claim 4 ("the loan comprises a pool

of loans"). Paragraph 0020 continues:

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> the lender's computer 120 preferably includes a processor and
> software operable in connection therewith for, by way of
> example and not limitation, receiving information from the
> borrower 20 for a loan request, **determining a credit risk of the
> borrower 20 from the information received, and approving or
> rejecting the loan request based on the determined credit risk.**

Paragraph 0031 additionally states:

> As discussed above, loans are only accepted based upon a
> complete due diligence of potential borrowers as matched against
> loan programs and as performed by the lender 12. **The insurer 40
> may utilize the same due diligence or provide its own criteria
> to determine the risk allotted with each loan** . . .

Furthermore, Original Claim 9 recites the programmed processor,

> determining a credit risk of the borrower from the information
> received;

As explained in Paragraph 0019 (above), the risk of the borrower is directly associated with the

risk of the loan.

Paragraphs 12, 14-16, and 20 of the Declaration confirm that one of ordinary skill in the

finance and insurance industries at the time of invention would understand that Paragraphs 0019,

0020, 0021, 0022, and 0031 support that the analysis as recited in claim 27 may be performed on

a computer in connection with software.

3. **accessing the data from electronic memory [regarding requests
of borrowers]**

Claim 27 also recites:

> accessing the data from electronic memory and, based on the data,
> the lending institution securing insurance for the loans from the
> insurers, thereby transforming the pool of loans from having the
> first rating or no rating to having the second rating and transferring

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> the risk of loss other than the risk of first loss to the insurers, the lending institution receiving the proceeds from an entity in return for transferring the loans to the entity and funding the pool of loans based on the data and using the proceeds.

As discussed in Section B.1., the data is stored in electronic memory. The same data is retrieved or accessed for use. It is inherent that a computer that has memory and has the ability to store and retrieve or access data from such memory and that data that is stored may be retrieved or accessed. Paragraph 0016 (A computer may "stor[e] and provid[e] output" and typically includes "permanent memory (e.g., harddisk drive, ROM), [and] temporary memory (e.g., RAM)"). Paragraph 0031 also supports this limitation as it describes accessing a database maintained on the lender's computer:

> As discussed above, loans are only accepted based upon a complete due diligence of potential borrowers as matched against loan programs and as performed by the lender 12. The insurer 40 may utilize the same due diligence or provide its own criteria to determine the risk allotted with each loan and set premiums accordingly. In a preferred embodiment, the insurer 40 may **access a database maintained on the lender's computer 120; the database having stored therein all pertinent information about borrowers and loans.**

Both the insurer and the lending institution may access and use the data to conduct due diligence in order to secure insurance for the loans. Similarly, as recited in claim 27, the data is accessed and insurance is obtained based on that data. This is confirmed and further supported by Paragraphs 16 and 20 of the Declaration.

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Thus, Applicant respectfully submits that independent claim 27, as well as claims 28-32, which depend therefrom, recite patentable subject matter and are in condition for allowance.[1]

C.   New Claim 33

Independent claim 33 recites "a computer-implemented method of a lending institution funding a pool of loans with one or more insurers." As such, the claim recites a process tied to a particular apparatus, namely a lender computer. This computer is central to the claimed method as the computerized elements permeate the claim. For example, the method is for funding loans and the use of the computer to determine the credit risk of the borrower and whether a loan request has been approved or rejected is central to the method and depend on the lender computer carrying out each of its specifically programmed functions. As such, claim 33 is sufficiently tied to a machine and comports with the case law cited in the Office Action and the Federal Circuit's decision in *In re Bilski*.

Furthermore, the Examiner has noted in the Interview Summary dated April 10, 2009, that this claim also likely meets the requirements of 35 U.S.C. §101 provided the claim is supported by the specification. As discussed below, Applicant respectfully submits there is sufficient support in the original application for claim 33.

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[1] Claim 27 includes additional limitations related to securing insurance, transforming the pool of loans from having the first rating or no rating to having the second rating, transferring the risk of loss other than the risk of first loss, receiving proceeds and funding the pool of loans. These limitations are not tied to a computer implementation and, as such, Applicant does not believe adequate support is at issue. Indeed, the prior claims referenced , without any outstanding §112 rejection, securing insurance, the ratings, transferring risk, receiving the proceeds, and funding the pool of loans.

Support for the present amendment can be found in the application as filed. For example, similar to claim 27, claim 33 is directed to receiving data, analyzing that data, and storing and accessing such data in memory. For example, claim 33 recites:

> providing a lender computer connected to an electronic network, the lender computer including one or more processors configured in accordance with software to:
>
>> receive via the electronic network data regarding loan requests of one or more borrowers, the data including data regarding personal and financial information of each borrower;
>>
>> analyze the data regarding each of the loan requests of the one or more borrowers to determine a risk associated with making a loan to each borrower;
>>
>> . . .
>>
>> retrieve from electronic memory data regarding the loans approved for inclusion in the pool of loans;
>
> providing a first loss financial guaranty for the pool of loans, the lending institution assuming a risk of a first loss, the first loss being a percentage of the aggregate amount of the pool of loans;

As discussed above in connection with claim 27, which discussion is incorporated herein in connection with claim 33, Paragraphs 0009, 0010, 0016, 0019, 0020, 0021, 0022, 0029, 0031 and 0034 and Original Claims 1, 4 and 9 of the application support these limitations. Additionally, Paragraphs 12-16 and 21 of the Declaration confirm that one of ordinary skill in the finance and insurance industries at the time of invention would find such support in the application.

In addition to the foregoing limitations, claim 33 further recites:

> approve for inclusion in the pool of loans, loans associated with the loan requests of the one or more borrowers where the risk associated with making the loans falls within lender risk criteria.

Paragraphs 0019 and 0020, and Original Claim 9 of the application support this limitation. In this regard, Paragraph 0019 states:

> If the result of the analysis falls out of bounds of the predetermined criteria, then the risk may be too great and **lender 12 will send a rejection response to borrower 20** or may refer borrower 20 to another lender.

Paragraph 0020 continues:

> The lender's computer 120 preferably includes a processor and software operable in connection therewith for, by way of example and not limitation, receiving information from the borrower 20 for a loan request, determining a credit risk of the borrower 20 from the information received, and **approving or rejecting the loan request based on the determined credit risk**.

And Original Claim 9 states:

> **approving or rejecting the loan request based on the determined credit risk.**

Paragraphs 14-15 and 21 of the Declaration confirm that one of ordinary skill at the time of invention similarly understands Paragraphs 0019 and 0020 to support this limitation.

Thus, claim 33 and claims 34-37, which depend therefrom, are sufficiently tied to a particular machine, which is central to the claimed invention, and are, therefore, patent-eligible. Accordingly, Applicant respectfully submits that independent claims 1, 27 and 33, as well as all claims which depend therefrom, recite patentable subject matter and are in condition for allowance.

CONCLUSION:

Applicant thus believes that the claims in the present application are in condition for allowance. Applicant respectfully request reconsideration of the present application in view of the foregoing remarks. If the Examiner has any questions or suggestions regarding this response or the application, the Examiner is invited to contact the undersigned at the telephone number provided below.

Other than the fees for extension of time, no additional fees are believed due for this submission. If however, the Commissioner deems otherwise, the Commissioner is authorized to charge any fees which may now or hereafter be due in this application to Deposit Account No. 19-4709.

Respectfully submitted,

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